

Message Text

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PAGE 01 LAGOS 02755 101353Z

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02

SS-15 STR-04 TRSE-00 ACDA-07 /108 W

-----102300Z 105698 /66

R 101221Z MAR 77

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 9805

USDOC WASHDC

INFO AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: ENRG, BENC, NI

SUBJECT: NIGERIAN LNG

REF: STATE 48207

1; IN RESPONDING QUESTION A POSED PARA TWG REFTTEL, GAS LOCATED ON EXISTING CONCESSIONS. IF DEPARTMENT LACKS MAP OF CONCESSIONS, WILL ATTEMPT OBTAIN CURRENT ONE FROM OIL COMPANIES AND POUCH. POSSIBLE NEW CONCESSIONS MOST LIKELY BE IN OFFSHORE AREAS NOW HELD IN NATIONAL RESERVE, AND PERHAPS ALSO FROM ANAMBRA BASIN AREA (BORDERED ON WEST BY NIGERI RIVER, ON EAST BY ENUGU, TO SOUTH BY OWERRI) AND CHAD BASIN AREA. PETTY RAY AND UNITED GEOPHYSICAL WERE HIRED BY NNOC LAST OCTOBER TO DO BASIC SEISMIC STUDIES THOSE AREAS.

2. RE QUESTION B AND C, UNDERSTAND THAT GAS WHICH PRESENTLY BEING FLARED WILL BE ENTIRELY OWNED BY FMG. HOWEVER: THIS GAS, WHICH WILL BE USED BEFORE UNASSOCIATED GAS WHEN LNG PLANTS IN OPERATION, CONSTITUTES ONLY EIGHT PERCENT OF GAS RESERVES.

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PAGE 02 LAGOS 02755 101353Z

3. RE QUESTION D, MPR MORE CLOSELY CONCERNED WITH GAS GATHERING GRID THAN MOI. IMEG SEEMS PRETTY WELL ENTRENCHED. ACCORDING BECHTEL REPRESENTATIVES WHO RECENTLY VISITED LAGOS, IMEG OFFICIAL NAMED WHITCOMB ACTUALLY SITS AS FMG REPRESENTATIVE ON COMMITTEE CONCERNED WITH GAS GATHERING PIPELINE FOR AGIP-PHILLIPS-ELF LNG PLANT. ON OTHER HAND, PHILLIPS REPRESENTATIVES IN TOWN MONTH AGO REPORTED HEARING FROM IMEG IN LONDON THAT IMEG WOULD NOT REPEAT

NOT OPERATE GAS GRID. HOWEVER, DESIGN AND ENGINEERING CONTRACTS WOULD SEEM WELL WITHIN IMEG REACH IF COMPANY WANTS THEM.

4. RE QUESTION D, LITTLE NEW INFORMATION AVAILABLE ON ACTUAL GAS PRICING MECHANISM. ROBERT FRIEDLANDER OF THOMAS MINER AND ASSOCIATES WHO VISITED LAGOS END FEBRUARY DID LEARN UNASSOCIATED GAS AT WELLHEAD WILL BE OWNED 45/55 LIKE OIL AND WILL BE PRODUCED AND TAXED LIKE OIL. GAS WILL BE SOLD BY PRODUCERS TO SEPARATE CORPORATION OPERATING GAS GRID. GAS GRID COMPANY WILL BE AT LEAST 85 PERCENT FMG OWNED; GAS GRID COMPANY WILL IN TURN SELL GAS TO LNG PLANTS, PRESUMABLY ON COMMERCIAL BASIS AT SOME PROFIT. OWNERSHIP OF LNG PLANTS IS 40 PERCENT FOREIGN, 60 PERCENT FMG. BOTH GRID COMPANY AND LNG COMPANIES WILL BE TAXED LIKE ORDINARY CORPORATIONS. MECHANISM OF PROFIT FOR PARTICIPANTS IN LNG PLANTS WILL BE OWNERSHIP OF PORTION OF PRODUCT OF PLANTS. HOWEVER, EACH PARTNER WILL NOT SELL ITS FRACTIONAL SHARE OF LNG INDEPENDENT OF OTHERS. COMMITTEE WILL BE SET UP CONSISTING OF MPR AND FOREIGN PARTNERS INVOLVED IN EACH PLANT TO REVIEW ALL BIDS FROM PROSPECTIVE CUSTOMERS AND WILL REACH JOINT DECISION ON BEST SALES ARRANGEMENT. THIS COULD MEAN ONE BUYER WOULD TAKE ALL PARTNERS SHARES, OR THERE MIGHT BE SEVERAL BUYERS.

5. ACCORDING TO FREIDLANDER, TENNECO IS FOLLOWING LNG PROGRESS INTENTLY, HAS MADE CLEAR ITS INTEREST IN BUYING ALL LNG IT CAN GET SINCE ITS US FILEDS ARE DEPLETING FAST. TENNECO HAS POTENTIAL BE INVOLVED AS CUSTOMER, AS SHIPPER AND SHIPBUILDER, AND IN ADDITION AS THE POSSIBLE 15 PERCENT FOREIGN OPERATING PARTNER IN THE GAS GATHERING AND TRANSMISSION GRID CORPORATION. TENNECO WOULD APPEAR BE MORE APPROPRIATE PARTNER FOR FMG THAN IMEG IN OPERATING GAS LIMITED OFFICIAL USE

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PAGE 03 LAGOS 02755 101353Z

GRID.

6. FRIEDLANDER, WHOSE FIRM REPRESENTING PEOPLES GAS AND NATIONAL GAS PIPELINE AS PROSPECTIVE CUSTOMERS FOR NIGERIAN LNG, SAID FMG MUST FIRST NAIL DOWN SALES CONTRACTS IN ORDER OBTAIN FINANCING FOR LNG PLANTS AND GAS GATHERING GRID. CARTER ADMINISTRATION'S NEW ENERGY POLICY AND POSITION FPC WILL THUS BE IMPORTANT FACTORS IN FURTHER PROGRESS.

7. EMBASSY SENT USDOC (MEPD) AND SECSTATE (AF/W) BOOTLEG COPIES OF AGREEMENTS RELATED TO SHELL-BP AND PHILLIPS-AGIP-ELF LNG PROJECTS LAST WEEK BY AIRGRAM.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, INDUSTRIAL PLANTS, INVESTMENT OPPORTUNITIES
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LAGOS02755
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Film Number: D770083-0447
Format: TEL
From: LAGOS
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770374/aaaacmyj.tel
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